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SUBJECT: January Trade and Investment Brief

SUMMARY

1. This is an update on the following trade and investment news from Peru:

Trade

- Peru's Free Trade Agreement with S. Korea
- Entry into Force of Peru-China Agreement Delayed
- The Peru-EU Negotiations
- Negotiations with Japan Remain Complicated
- India and Peru Talk Possible Free Trade Agreement

Investment

- Various Airlines Looking to Enter Peruvian Market
- Best Western to Open Its First Premier Hotel in Peru

TRADE

Peru's Free Trade Agreement with S. Korea

In Washington, DC, between January 14-15, Peru and S. Korea held their fifth round of free trade agreement negotiations. A sixth round of negotiations has been scheduled beginning February 24 in Lima. Currently, 8,800 Peruvian products will enter the Korean market duty-free, which represents 85% of the 11,000 products Peru wanted included in the agreement. However, in the agro-industry sector the agreement includes only 25%, representing 379 products. The duty-free products include coffee, sugar, and tomato paste. Asparagus and avocado will become duty-free after three to five years. Within ten to sixteen years, eggs, flowers, artichokes, strawberries, mangoes, and pork will become duty free. Oranges and onions have been excluded. While Peru continues to push for greater access for agricultural and fish products, S. Korea wants better access for its vehicle exports.

Entry into Force of Peru-China Agreement Delayed

The Peru-China Free Trade Agreement was scheduled to enter into force on January 15. On January 13, China asked for a delay. China cited an internal digitalization project of its economic sector as the reason for the requested postponement. Once the agreement enters into force, 83.5% of Peruvian products will enter China duty-free. No new date has been announced for entry into force.

The Peru-EU Negotiations

The eighth round of negotiations between Peru, Colombia, and the EU occurred in Lima from January 18-22. The Minister of Foreign Affairs, Jose Antonio Garcia Belaunde, hopes Peru and the EU will be able to sign the agreement in May during the European Union - Latin America Caribbean Summit. President Garcia announced he will attend the summit in Spain. Remaining issues under negotiations include drawbacks, market access, rules of origin, services, intellectual property, commercial disputes, commerce and sustainable development. The ninth round of negotiations will be held in March in Brussels.

Negotiations with Japan Remain Complicated

Japan continues to exclude more than 1,000 Peruvian products from the agreement and to push for more access for Japanese automobiles. A new round of negotiations will be held in February. Peru is looking to close the negotiation phase, but is not prepared at this time to accept the exclusion of such a large number of its products.

India and Peru Talk Possible Free Trade Agreement

The visiting Indian Minister of External Relations voiced his country's interest in investment opportunities in Peru and exploring the possibility for a free trade agreement. Particular sectors of interest for investment include hydrocarbons, mining, pharmaceutical products, agriculture, and information technology. The Peruvian Minister of External Relations responded that Peru has not yet made a determination as to whether they will pursue negotiations with India given their current focus on concluding pending agreements with Japan, Korea, and the EU.

INVESTMENT

Various Airlines Looking to Enter Peruvian Market

Air Europe presented to the Peruvian Director General for Civil Aviation (DGAC) a request to open a direct route between Madrid and Lima. Air Europe plans to operate flights three times a week with Airbus aircraft A330 (capacity 294 passengers). The DGAC has 90 days to make a decision on whether to grant Air Europe authorization for the flights. Other airlines, such as, the US

carrier Jet Blue and Argentinean carrier Aerolineas Argentinas, have indicated their interest in operating international and domestic flights in Peru. Currently, Chilean Lan Airlines dominates the domestic market in Peru.

Best Western to Open Its First Premier Hotel in Peru

In November, Best Western will open its first Premier (five star) hotel in Peru. This represents Best Western's second Premier hotel in Latin America. The \$15 million dollar investment will include a hotel with 12 bungalows, 2 Presidential Suites, 90 suites and 6 duplexes located south of Lima in Sarapampa, Canete. Construction on the project began last September. The hotel complex will also include restaurants, a spa, a water sports arena, and a convention center.

McKinley